Health Care Costs:
A Health Insurance Perspective

Colorado Commission on Affordable Health Care ~ February 8, 2016

Charlie Sheffield, Colorado Association of Health Plans
Dianne Bricker, America’s Health Insurance Plans
About CAHP

Trade association of health insurance companies

- Members provide health benefits to over 3 million Coloradans

- CAHP supports the growth and development of health plans in their efforts to provide access to high-quality, cost effective health care coverage to the citizens of Colorado.
About AHIP

National trade association representing the health insurance industry
Members provide health and supplemental benefits to more than 200 million Americans, through
- Employer-sponsored coverage
- Individual market
- Small group market
- public programs such as Medicare and Medicaid
Significant Cost Drivers

• Increasing Unit Prices
• Out-of-Network Charges
• Chronic Conditions
• Inefficiency in the Delivery System
• Non-Contracted Business Model
• High Priced Prescription Drugs
What Health Plans are Doing About Costs

• Transitioning Away from FFS to Value-Based Payment Model
  Rewarding quality and practice efficiency

• Offering Tailored Networks, Tiered Networks
  Premiums 15 to 22 percent lower than with broader networks

• Offering Greater Price Transparency
  Cost estimators
High Priced Rx ~ A Closer Look

• Martin Shkreli is tip of iceberg

• Rx drugs are fastest-growing sector of health care costs
  Total drug spending up 13% from 2013 to 2014
  Specialty drugs spending rose 31%, driven by 25% increase in underlying prices

• “Consensus was that there is no rational basis for drug prices.” (National Cancer Institute study)
Rx Tops Health Spending Growth in 2014

Exhibit 4. Health Spending Year-Over-Year Growth for Selected Categories

Source: Altarum monthly national health spending estimates
High Priced Rx ~ A Closer Look

Drug Definitions

- **Brand drugs**
  Patent protection, one manufacturer
  About 14% of all prescriptions but about 32% of cost

- **Generic drugs**
  Without patent protection, multiple manufacturers
  About 85% of all prescriptions but only about 27% of costs

- **Specialty drugs**
  Type of brand drugs, high cost, require special handling and care
  About 1% of all prescriptions but about 41% of the costs
High Priced Rx ~ A Closer Look

Price Inflation

• Brand drugs
  2012 -2013 ~ 12.9% growth vs 1.5% general inflation

• Generic drugs
  Growing slower than brand drugs, some massive price increases

• Specialty drugs
  Cost per script tripled over the last seven years to $4,900
High Priced Rx ~ A Closer Look

Prices Then and Now

- Thioa: $1.50 per pill to $30 overnight (1,900% increase)
- Pravistatin: $27 per bottle to $196 within six months (625% increase)
- Isuprel: $4,500 in 2013 to $37,000 in 2015 (722% increase)
- Vimovo: $161 for 60 tablets to $959 overnight (495% increase)
- EpiPen: $56.64/pen in 2007 to $184.35/pen in 2014 (222% increase)
High Priced Rx ~ A Closer Look

Myths vs. Facts

• 10% Myth

• Nobody pays retail myth

• The problem is the co-pay myth

• Lower prices will destroy incentives to find new cures myth

• R+D is reason prices are so high myth
High Priced Drugs: It’s the R&D, right?

![Diagram showing the spending on R&D and sales & marketing by different pharmaceutical companies in 2013 in US $ billion.](image)
High Priced Drugs: What Plans Are Doing

- Integration and coordination of pharmacy and medical benefits
- Maximize treatment adherence by patients
- Working with specialty pharmacies
- Encouraging evidence-based treatments
- Bundled payments for treatment episodes
High Priced Drugs: Best Hope for Change?

- Hold drug companies to same access and affordability standards that apply to the rest of the health care system

- Patent Reform
  - End “evergreening”
  - Shorten exclusivity period for biologics
  - Prohibit anti-competitive deals to keep generics off the market

- Begin with transparency – HB 1102
Thank you!

Charlie Sheffield
Executive Director, Colorado Association of Health Plans
csheffield@colohealthplans.org
303-810-0669

Dianne Bricker
Senior Regional Director, State Affairs, AHIP
dbricker@ahip.org; www.ahip.org; www.ahipcoverage.org